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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

Federal Communications Commission  
Office of Secretary

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	)	CC Docket No. 91-213
	)	
Usage of the Public Switched Network by Information Service and Internet Providers	)	CC Docket No. 96-263
	)	

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Reply Comments

of

The Southern New England Telephone Company

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February 14, 1997

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## Summary

SNET Reply Comments

February 14, 1997

CC Docket No. 96-262

Access Reform

The Telecommunications Act, and the increasingly competitive telecommunications market, working together, now require the Commission to effect a progressive, competitive environment that includes the ILECs as full participants. SNET urges the Commission to recognize the new marketplace reality, to adopt a market-based approach to access reform, and thereby to move forward with a pro-competitive plan that allows fair competition to flourish.

The era of monopoly access service is at its logical and inevitable end. Open networks, the proliferation of switch-based providers and facilities bypass, now provide real mechanisms for self-provisioning or alternative sourcing. While ILECs still retain a significant amount of the market, they no longer retain the hallmark of market power -- the ability to control price.

It is thus now the time to move to new pricing provisions for ILECs' access services. Triggered off the availability of interconnection agreements (or unbundled loops -- the critical input to access alternatives), new pricing provisions will allow ILECs to price and act competitively, to respond to RFPs, to offer volume and term discounts, as examples -- that is, to behave like a competitive company in a competitive market. In this way the Commission can help bring the benefits of competition to the access market quickly.

To limit the ability of the market to drive ILEC prices in favor of across-the-board "regulated" pricing rules, would be to delay the benefits of competition for potentially large portions of the market - and for no useful purpose. So long as inputs are available, i.e. unbundled loops, and predatory pricing is prohibited, no competitor should complain if an ILEC is allowed to respond to an RFP with a competitive bid.

SNET urges the Commission to adopt a market based, rather than a prescriptive, approach to access reform as the best way to move the market quickly to competition, and ensure that the benefits of competition are as widespread as possible in the near term. Whatever approach is selected, SNET would nonetheless propose that ILECs be allowed the flexibility specified herein to meet the demands of customers in addition to, or as a complement to, the approach selected. Such flexibility can cause no harm, and can bring very real benefits to the market.

In addition, SNET submits that three products, traditionally a part of the access service category, are now fully competitive, and should no longer be subject to traditional regulation. Directory assistance, for example, is available from multiple sources that are not regulated at all. SNET asks the Commission to forebear from regulation for this group of services. Continued regulation would serve no useful purpose on the one hand, while on the other retaining the costs associated with regulation.

All price cap carriers are not alike, and do not have the high access earnings that some of the large price cap ILECs do. Small ILECs generally have not experienced the growth in interstate access services the larger companies have. The contemplated reforms in the access plan will actually reduce the productivity of price cap ILECs, especially the smaller companies, so no increase in the productivity offset should be required.

Finally, on the thorny issue of historic subsidies engendered over the years by public policy objectives, SNET requests that the Commission adopt a plan or plans, in this and other related proceedings, to remove the subsidies, and their associated costs, from access rates. In this way, ILECs will then be accorded an opportunity to recover these explicit subsidies outside of rates, consistent with the regulatory compact under which they were incurred, and so create minimal inefficiencies or distortions that might adversely affect the market. These subsidies represent real costs -- resulting from long-standing public policy decisions, including cost over-allocations to interstate and under-depreciated investment -- were mandated to meet public policy goals and support of universal service. SNET requests that the Commission establish a plan to recover these explicit costs in a competitively neutral manner. Such a mechanism will set the past record straight, and put the entire market on the right road to full competition.

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The Southern New England Telephone Company (SNET) hereby files its reply to the comments filed on January 29, 1997, responding to issues raised in the Federal Communications Commission's (Commission's) Notice of Proposed Rulemaking (FCC 96-488) released December 24, 1996, (NPRM) regarding access charge reform.

In addition to its reply comments filed today, SNET supports the detailed reply comments filed by the United States Telephone Association (USTA) in this proceeding.

## I. INTRODUCTION

The Telecommunications Act,<sup>1</sup> and the increasingly competitive telecommunications market, working together, now require the Commission to move toward effecting a progressive, competitive environment that includes the ILECs as full participants. SNET urges the Commission to recognize the new marketplace reality, and to move forward with a pro-competitive plan of limited regulatory oversight that allows fair competition to flourish.

The Commission's stated goal is to have an access charge rate structure that reflects what a competitive market would produce. The Commission's NPRM proposes a series of reforms that are designed to eliminate the inefficiencies in the current structure and meet this goal.<sup>2</sup>

To that end, SNET urged the Commission, in its comments filed on January 29, 1997, to replace current access rules with a system of limited oversight that allows the market to drive access price levels and structure. SNET explained how the Connecticut legislative and regulatory environment has fostered competition and how growing access competition within Connecticut means that SNET no longer has market power, and that a flexible regulatory approach is accordingly in order. The Act and the Commission's Interconnection Order<sup>3</sup> essentially removed major regulatory

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<sup>1</sup> Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56. *to be codified at* 47 U.S.C. §§ 151 *et seq.* (the Act).

<sup>2</sup> NPRM, para. 13.

<sup>3</sup> In the Matter of Implementation of Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, and Interconnection between Local Exchange Carriers and Commercial



barriers to entry. Facilities-based providers with switches in Connecticut can provide access and other switching services for themselves and others.

These factors, plus the strong incentives ILECs have to keep customers and usage on their networks, will force ILECs to drive their access prices to competitive levels. The Commission need no longer substitute its rules for those of the market to establish competitive prices.

SNET urges the Commission to adopt a two-phased market-based approach to access reform, to reflect the increasingly competitive market for access. SNET recommends that regulatory relief be granted as a part of Phase I to permit LECs limited pricing flexibility, including, for example, volume and term discounts and rate deaveraging, and efficiencies in the access structure. This Phase I flexibility would be granted when there is sufficient evidence that barriers to entry in the local market have been removed, as evidenced by a state-approved interconnection agreement.

For Phase II, SNET recommends that, when the ILEC has demonstrated evidence of effective competition in a specific geographic area, access services should be removed from price cap regulation, and tariff filing requirements should be significantly reduced. Finally, forbearance from regulation would be granted when the criteria of Section 10(a) of the Act were met.

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Mobile Radio Service Providers, CC Docket No. 95-185, First Report and Order, released August 8, 1996, FCC 96-325, *petition for review pending and partial stay granted, sub nom. Iowa Utilities Board et. al v. FCC*, No. 96-3321 and consolidated cases (8th Cir. Oct. 15, 1996), *partial stay lifted in part, Iowa Utilities Board et. al v. FCC*, No. 96-3321 and consolidated cases (8th Cir. Nov. 1, 1996) (Interconnection Order).

While the market transitions to market-based pricing for access services, it is important to continue the recovery of subsidies that meet public policy goals and support of universal service, but to do so in ways that minimize any distortion in the development of competition in this market. Subsidies implicit in access rates should be specifically identified and explicitly recovered from interexchange providers in a competitively neutral manner. The Commission's universal service and upcoming separations proceedings will further this initiative.

In this interim period before the Commission reforms its separations procedures, SNET recommends that subsidies resulting from overallocations to the interstate jurisdiction be recovered on a flat rate basis, in lieu of the current "per minute of use" structure. SNET also recommends that in regard to depreciation, the Commission establish a mechanism, also on a "bulk billed" basis, to recover the federal reserve deficiency caused by under-depreciation and economic obsolescence.

Many commenting parties support a phased-in market-based approach based upon 1) the removal of barriers to entry, and 2) the level of competition experienced for specific services.<sup>4</sup> However, as expected, many of the ILECs' competitors seek to limit all flexibility for the ILECs by recommending highly prescriptive measures, and drastic across the board rate reductions for access that are largely inconsistent with the kinds of price decreases a competitive market would dictate. These competitors refuse to acknowledge that barriers to entry have been removed and that competition

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<sup>4</sup> See, e.g., ALTS, pgs. 2-4; CBT, pgs. 18-20; Citizens, pgs. 9-11; Pacific, pgs. 17-18; USW, pgs. 28-29; Bell Atlantic/NYNEX, pgs. 44, 53-54; USTA, pgs. 25-26.

for access services exists today. They also choose to ignore, or deny, the importance of recovering costs that ILECs have borne historically to support universal service and the Commission's public policy goals.

It is obvious that these competitors, who are themselves not encumbered by the Commission's access regulations, recommend highly prescriptive requirements for the ILECs to gain advantages in the marketplace, thereby delaying or denying the benefits that come with real, not prescribed, competition. The reality is that competition cannot be "prescribed." So long as discriminatory treatment and cross subsidization are prohibited (which they are), and services are unbundled (which they are), flexible regulation can and should be allowed as the best mechanism to foster the development of an efficient, competitive market.

II. A MARKET-BASED APPROACH TO ACCESS REFORM WILL BETTER RESPOND TO CUSTOMER REQUIREMENTS. (Paras. 161-217.)

It should be no surprise to any industry observer that the ILECs' competitors degrade the Commission's market-based approach. These competitors seek to restrain the ILECs with high levels of regulation, in order to prolong their own advances in the market. Because the market-based approach relies less on formal regulation than either the current or the prescriptive method, these parties debase the Commission's market-based approach.<sup>5</sup> SNET urges the Commission to discount these comments and adopt a market approach that would encourage fair competition, rather than a prescriptive approach that would restrain full and open competition.<sup>6</sup> Consumers will be the winners with a market-based approach where competition regulates the behaviors of all participants. "A market-based mechanism offers large potential advantages, including a lower amount of intervention by regulators and a more clear cut process for moving to a deregulated market. It is this rapid move to competitive and deregulated markets that will most benefit consumers."<sup>7</sup>

Competition arrived early in Connecticut. In 1994, the Connecticut General Assembly enacted legislation that opened Connecticut to competition in nearly every

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<sup>5</sup> See, e.g., AT&T, pgs. 43-48; MCI, pgs. 33-44; Ad Hoc, pgs. 34-48; APT, pgs. 4-8.

<sup>6</sup> ALTS, pgs. 17-20.

<sup>7</sup> Citizens for a Sound Economy (CSE), pg. 1.

aspect of telecommunications services.<sup>8</sup> Competitive service was established in September 1995, by one of the facilities based providers in the state.

The market for ILEC access services has become competitive in a short period of time. Virtually all of SNET's access services are now subject to growing, but actual competition. There are now four facilities-based providers in Connecticut; Brooks Fiber, MCI Metro, TCG and MFS have been certified to provide local exchange and access service in the state. The availability of unbundled loops allows these providers to offer switched access on a statewide basis, and allows all providers who have their own switching facilities to self-provision access.

The stage is indeed set in Connecticut for very rapid and large scale competition. It is imperative that SNET be able to offer its access customers pricing alternatives now, to incent them to stay on SNET's network. If SNET is able to offer its customers efficient and economic pricing options, customers will at least have a choice of networks for determining how best to transport their usage. A market-based approach to enable LECs to respond to customer needs will further these customer benefits. As NERA comments, "[p]ermitting ILECs price flexibility to respond to competitive alternatives leads to improvements in resource allocation and efficiency."<sup>9</sup>

SNET supports the plan outlined in USTA's Comments as a sound and reasonable way to proceed toward a market-based approach to access reform. Like

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<sup>8</sup> Public Act 94-83, Connecticut General Statutes, §16-247.

<sup>9</sup> USTA, Attachment 1, "Economic Aspects of Access Reform," R. Schmalensee and William E. Taylor, National Economic Research Associates (USTA/NERA), pg. 30.

SNET, USTA advances a two-phase approach that offers all parties -- the Commission, the ILECs' competitors, and access customers -- an opportunity to move forward in the spirit of competition on which the Act is based.<sup>10</sup>

A market-based approach will encourage the economic efficiency of all participants in the market. As telecommunications providers strive to provide services to meet customers' demands, they must also make important decisions about infrastructure investments, advertising expenditures, new product introductions, and pricing levels, in their attempt to "out do" their competitors and win the customer. Commission involvement with this process adds a layer of debilitating and artificial controls over the market that interferes with the ILEC's ability to respond to customers' needs in the way that a competitive market would dictate.

The market-based approach is the preferable one because it: 1) provides the most societal benefits for the cost,<sup>11</sup> 2) avoids protracted rulemakings and is consistent with incentive regulation,<sup>12</sup> 3) avoids a potential discrimination problem of bringing rates down faster than the market would dictate,<sup>13</sup> and 4) provides

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<sup>10</sup> USTA, pgs. 6-48.

<sup>11</sup> Ameritech, pg. 36; Bell Atlantic/NYNEX, pg. 2.

<sup>12</sup> BellSouth, pg. 13, 15.

<sup>13</sup> CBT, pgs. 13-14.

safeguards against any anticompetitive behavior by ILECs such as predatory pricing and unlawful cross subsidization.<sup>14</sup>

In sum, SNET urges the Commission to adopt the two-phased market-based approach to access charge reform.

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<sup>14</sup> USTA, pgs. 32-35. Pure price regulation eliminates the ability and incentive to cross subsidize competitive services, while the prohibition on pricing below cost and the elimination of barriers to entry guard against predatory pricing.

III. A PRESCRIPTIVE APPROACH TO ACCESS REFORM WILL NOT ENCOURAGE, AND MAY IMPEDE, COMPETITION. (Paras. 218-240.)

The Commission prefaces this proceeding by recognizing that current rates, based on prescriptive Part 69 Rules, "are fundamentally inconsistent with the competitive market conditions that the 1996 Act attempts to create."<sup>15</sup>

Many ILEC competitors, however, contend that a prescriptive approach to access reform must be adopted. For example, MCI claims that a prescriptive approach "is the quickest and easiest route to economically rational pricing and maximum competition."<sup>16</sup> AT&T contends that the "prescriptive" approach is wrongly labeled and is the only one that will move access prices to cost-based levels quickly, and thus establish true market-based pricing.<sup>17</sup>

Parties with views such as these essentially require that the Commission insert its regulatory control over the growth and implementation of competition -- including the institution of market-based prices -- rather than allow the forces of market demand, service provision, and customer satisfaction to determine the extent of success. These parties demand that the Commission greatly increase its regulation of the access market, just when the Commission is bound by the Act to increase the competitiveness of telecommunications with less regulatory intrusion. SNET urges the Commission to recognize that no party, the Commission included, is a better surrogate

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<sup>15</sup> NPRM, para. 6 (emphasis added).

<sup>16</sup> MCI, pgs. 8-11.

<sup>17</sup> AT&T, pgs. 5-6.



for market forces than is the market itself. A prescriptive approach would impose regulatory solution upon the ILECs' marketing of access service, an imposition that is not warranted by the Act.

In an environment with few barriers to Competitive Local Exchange Carrier (CLEC) entry, a prescriptive approach will introduce distortions that will skew consumer perception of service prices, availability, and other parameters, thereby depriving customers of the full benefits of efficient competition. A prescription of rates in a competitive marketplace could well discourage entry or expansion by efficient competitors.<sup>18</sup> The defect of a prescriptive approach is that it is inflexible and unresponsive. It does not cure regulatory inefficiencies, and requires the Commission to set rates which will necessarily be imperfect and could harm competition.<sup>19</sup> As NERA points out, "In the presence of competitive entry, maintaining regulatory constraints on the ILECs has the potential of distorting market outcomes and having long-lasting deleterious effects on industry performance."<sup>20</sup>

Further, as the Citizens for a Sound Economy comments:

Adoption of a prescriptive approach could have troubling ramifications. A large role for regulators exacerbates the problem of attempting to estimate the correct price for access services or other goods or services outside the marketplace. This is particularly harmful because the proposed prescriptive approach calls for economic models, rather than market considerations, to determine appropriate prices.<sup>21</sup>

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<sup>18</sup> Ameritech, pgs. 48-49.

<sup>19</sup> BellSouth, pgs. 14-16.

<sup>20</sup> USTA/NERA, pg. 22.

<sup>21</sup> CSE, pg. 5.

Even the Competition Policy Institute recognizes the weaknesses of inaccuracy and administrative costs inevitably associated with the prescriptive method.<sup>22</sup> The Illinois Commerce Commission comments that the prescriptive approach would “launch regulation on a slippery slope of administratively burdensome micromanagement.” ... There is no guarantee that such an approach would arrive at better prices than a market based approach.<sup>23</sup>

The authors of National Economic Research Associates (NERA) comment, “[a] prescriptive approach is static in nature and is likely to fail to adapt to continually changing supply and demand dynamics - thus confounding desirable market outcomes. Administrative rigidity virtually ensures efficiency losses.”<sup>24</sup> NERA’s study correctly points out, “a prescriptive approach does not eliminate the fact that market forces and the unbundling requirements of the Act will continue to reform the access market. A prescriptive approach, therefore, becomes all the more difficult and may become irrelevant in the presence of market forces. Worse, a prescriptive approach may confound desirable market outcomes.”<sup>25</sup>

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<sup>22</sup> CPI, pgs. 13-14.

<sup>23</sup> Illinois Commerce Commission, pgs. 4, 24.

<sup>24</sup> USTA/NERA, pgs. 15.

<sup>25</sup> USTA/NERA, pg. 17.

In sum, SNET agrees that a prescriptive approach would be an "abhorrent" regulatory scheme, "much like traditional rate of return regulation, only worse."<sup>26</sup> SNET urges the Commission to come to grips with the new competitive environment, and not adopt rules which thwart the development of a competitive marketplace, and prevent ILECs from competing effectively. The real beneficiaries of efficient competition will be consumers as service options from many providers flourish.

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<sup>26</sup> Citizens, pg. 15.

IV. ADDITIONAL PRICING FLEXIBILITY SHOULD BE GRANTED WHEN A COMPETITIVE DEMONSTRATION HAS BEEN MADE. (Paras. 161-217.)

Many commentators support a market-based approach to access reform, to be introduced on a transitional basis, when 1) competitive barriers are eliminated, and 2) competition is experienced for specific services. SNET agrees with SPRINT that: "[t]he degree of pricing flexibility and the appropriate triggers are interrelated."<sup>27</sup>

Basing the level of regulation on the competitiveness of the market is consistent with Congressional intent (regarding forbearance) and prior Commission decisions.<sup>28</sup>

"Prescriptive rules should be phased out as competition develops and the market is able to control prices."<sup>29</sup>

A. Phase I Flexibility Measures Permit LECs To Offer Access Services In A More Efficient Manner, And Similar To The Manner In Which Its Competitors Offer Services Today.

In Phase I, SNET proposes that ILECs be allowed certain pricing flexibility, a streamlined price cap basket structure, and elimination of Part 69 rules for price cap LECs. The proposed pricing relief provides ILECs only with the ability to respond to customers in a similar way in which its competitors respond to customers. It is common in the industry to: 1) offer pricing discounts based upon volume and length of term period, 2) contract with customers to meet their specific needs, 3) respond to

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<sup>27</sup> SPRINT, pg. 38.

<sup>28</sup> Competitive Policy Institute, pg. 27.

<sup>29</sup> DCPSC, pg. 2.

customer's requests for service proposals, and 4) deaverage rates based upon geography or class of customer. ILECs should be afforded the same opportunities as their competitors, because "[v]olume and term discounts, contract tariffs and responses to RFPs promote efficient utilization of telecommunications resources by more closely aligning customer preferences with the firm's per-unit costs for production or delivery of large orders."<sup>30</sup> To do otherwise would not only limit the ILECs' ability to compete, but also to deny the real benefits of these forms of competitive pricing to customers.

When the market is opened to competition, as evidenced by a state-approved interconnection agreement, ILECs must then have the ability to address the increased competition in a manner similar to its competitors. As recommended by various commentators, as well as the Illinois Commerce Commission, ILECs should be permitted geographic deaveraging for all access charge elements (other than the SLC), volume and term discounts, contracts and individual requests for proposal responses (RFPs), and the ability to offer new services with reduced regulatory requirements.<sup>31</sup>

Although some parties recommend that these reforms be delayed, it is essential that ILECs be able to respond efficiently to the emerging competitive

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<sup>30</sup> USTA/NERA, pg. 30.

<sup>31</sup> Illinois Commerce Commission, pg. 20-21.

marketplace, as their rivals can do.<sup>32</sup> Customers will benefit from the elimination of restrictions on ILECs' pricing, as they will be able to choose from among more service options and more competitive prices. SNET urges the Commission not to delay a phased-in approach to deregulation to meet market needs.

B. Phase II Relief Will Remove A Service From Regulation When There Is Competition Evidenced In The Marketplace.

As competition develops, services in specific geographic areas should be removed from price cap regulation. As NERA recommends, the Commission should determine if the degree of competition from firms currently in the market is sufficient to prevent the incumbent from profitably holding price above competitive levels and if barriers to entry are sufficiently low so that entry from new competitors would prevent an incumbent from pricing above competitive levels.<sup>33</sup> As USTA proposes, a state-approved interconnection agreement and a showing that the unbundled elements are in use will ensure that no significant barriers to entry exist and that competition is sufficient to constrain pricing behavior.<sup>34</sup>

The implementation of these Phase II benchmarks will provide a reasonable approach to increasing flexibility for ILECs as market conditions warrant.

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<sup>32</sup> SNET recommends that no matter which approach the Commission uses to reform access, ILECs should be afforded immediate flexibility to offer volume and term discounts and contracts, to deaverage geographically, and to respond to RFPs.

<sup>33</sup> USTA/NERA, pg. 34.

<sup>34</sup> USTA, pg. 25.

C. The Level Of Competition In Connecticut Dictates The Need For Immediate Pricing Relief.

Competitors claim that competition does not exist for access charges.

CompTel for example declares that "only a prescriptive approach will work because ILECs are not subject to competition for access charges."<sup>35</sup>

Competition for access -- as well as for local and toll services -- has arrived in Connecticut.<sup>36</sup> SNET is aware that at least four carriers are operating switches in the state (or effectively in the state).<sup>37</sup> These carriers also subscribe to unbundled loops. With this network configuration, competitors -- once they capture the end user -- can and are combining their own facilities with ILEC unbundled elements to provide any and all kinds of access services in this fully addressable market.<sup>38</sup>

In SNET's service area, carriers have subscribed to over 4,000 local interconnection trunks, and have placed orders for almost 1,200 more. CLECs have opened just over 100 NXX codes. The Connecticut Department of Public Utility Control (CDPUC) has approved 17 of 19 applications from CLECs for certificates of public convenience and necessity to provide local exchange service, of which four also offer switched access. Carriers have established 16 collocation cages in SNET

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<sup>35</sup> CompTel, pg. 14-16.

<sup>36</sup> SNET Comments, pgs. 9-14. SNET details the extent of competition in Exhibit 1, originally submitted in its Comments, and resubmitted here to show that special access services, in addition to switched access services, are being provided by competitors in Connecticut.

<sup>37</sup> It is necessary to note that competitors' switches do not have to be physically located within Connecticut for switched access services to be available to customers in Connecticut.

<sup>38</sup> See, e.g., GTE, pg. 61.

central offices. Competing carriers have also arranged over 2,800 cross-connects for DS1 and DS0 services.

Negotiations with CLECs for interconnections with SNET in accordance with the Interconnection Order have been robust. SNET has been negotiating with thirteen CLECs, including requests for arbitration with the CDPUC. Contracts have been completed or are near completion with seven of these carriers, and interconnection with SNET's network has been completed. One carrier has been interconnected since July, 1995 and has been offering local service since September, 1995. Four other carriers offered local service in 1996, and several other carriers will offer local service this year. All these carriers are requesting not only network interconnection, but also resale, unbundled elements, and access to SNET's operating support systems.

CLEC barriers to entry are very low or are down altogether. In this environment, with the potential for tremendous gains by competitors to capture end users with many kinds of services including access, SNET simply cannot increase its access rates. Although SNET still retains a high market share at this point, it no longer has the power to control pricing. SNET cannot raise access prices because that would drive access customers to alternative providers, which certainly are ready, willing and able to take away the traffic SNET now carries. In fact, the decision SNET now faces is how best to lower access rates, in order to maintain competitively attractive rates, not whether to lower them.



The actual presence and growth of competition should convince the Commission that now is the time to grant SNET (and other similarly situated ILECs) sufficient pricing flexibility to address these competitive forces.

D. Sufficient Competition Exists To Warrant Forbearance For Directory Assistance And Special Access Services Now. (Paras. 151-153.)

SNET has described the emergence of Directory Assistance Services (DA) in the competitive marketplace.<sup>39</sup> Other ILECs describe DA as a competitive service, and therefore argue for its removal from regulation.<sup>40</sup>

In brief, ILECs cannot increase their rates for DA, because there are alternatives available to IXCs and to subscribers -- some at no cost at all.<sup>41</sup> SNET's DA services have come under attack by competitors from many quarters.<sup>42</sup> Unfortunately, ILECs such as SNET, know they have lost business to competitive DA providers, but do not have data available to quantify how much DA business their competitors have captured. Only the competitors have that data. Competitive providers of DA are not regulated except by the market, and can provide services on a nationwide basis, while ILECs must provide this competitive service under stringent

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<sup>39</sup> SNET, pgs. 22-23.

<sup>40</sup> SWBT, pgs. 18-19, 28; Ameritech, pgs. 34-35; CBT, pgs. 15-17; GTE, pgs. 59-65; Bell Atlantic/NYNEX, pgs. 55-57; USW, pgs. 39-42.

<sup>41</sup> For example, some services on the Internet provide locations, addresses and telephone numbers at no charge to the user.

<sup>42</sup> SNET Comments, pgs. 22-23.